

Michael P. Morris, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: MARCH 20, 2008

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

Michael P. Morris
John Ferry
James Lee
John Scales
Michael Brown
Dan Lofgren
Gayle McKeachnie

STAFF

Kevin S. Carter
Dave Hebertson
LaVonne Garrison
NormaLee McMichael
Elise Erler
Kay Burton
Lisa Schneider
Ron Carlson
Doug Buchi
Kim Christy
Tom Faddies
Eric Bain
Alexa Wilson
Andrea James
John Andrews
Kurt Higgins
Tom Mitchell
Will Stokes
Randy Harden
John Blake

OTHERS IN ATTENDANCE

Karen Rupp, State Office of Education
Paula Plant, State Office of Education
Ivan Djambov, Legislative Fiscal Analyst's Office
Natalie Gordon, Utah State PTA
Charles Evans, University of Utah
Commissioner Alan Gardner, Washington County
Bruce Hinckley, State Office of Education
Dean H. Christensen, Pacific Energy
Tariq Ahmad, Genesis Petroleum U.S.
Wayne Stout, Genesis Petroleum, U.S.
Terry R. Spencer, Genesis Petroleum, US

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Chairman Morris welcomed Board members, Staff, and guests to the meeting.

1. Approval of Minutes

With the correction of striking the word “this” and replacing it with the words “supporting the APPLE proposal” in the motion on Page 11, the Board approved the minutes of January 17, 2008.

Lee / Ferry. Unanimously approved.

“I move we approve the Board minutes of January 17 with one amendment; i.e., striking the word ‘this’ and replacing it with the words ‘supporting the APPLE proposal’ in the motion on Page 11.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. McKeachnie - - yes
Mr. Morris - - yes	

2. Confirmation of Upcoming Meeting Dates

The Board, without motion, confirmed the following upcoming meeting dates:

April 11 - - Salt Lake City
May 14, 15 - - St. George (changed from May 15 & 16 to Kanab/Big Water)
June 12 - - Salt Lake City
July - - No meeting

3. Chairman's Report

a. Beneficiary Report

Ms. Paula Plant, of the State Office of Education, gave the Board an update on legislative issues the beneficiaries had worked on this session. A bill passed that would allow for a Constitutional amendment to give the State Treasurer more flexibility in investments of the Permanent Fund. This will now appear on the ballot in November for the voters to vote on.

Ms. Plant also noted that a Finance Sub-committee of the State Board of Education had considered changing the Constitution to have revenue from renewable resources not go to the Permanent Fund. They will probably hear a presentation by SOE on a policy statement regarding this issue and may want our Director and the State Treasurer to make a presentation to them.

Ms. Karen Rupp, Chairman of the Nominating Committee, reminded the Board that the Committee is working on finding a new Board member. She asked everyone to let her know of any suggestions they may have and of any expertise they feel is needed on the Board of Trustees.

b. Consideration/Approval of Charter for Audit Committee

The Board considered and approved the Charter for the Audit Committee.

McKeachnie / Ferry. Unanimously approved.

"I move we approve the proposed draft Charter for the Audit Committee."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. McKeachnie - - yes
Mr. Morris - - yes	

c. Other

No other business was considered.

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4. Director's Report

a. Director's Update on Issues

I. Update on Legislative Issues

Director Carter reported on the 2008 legislative session as follows:

- * FY 2008 Supplemental Budget Items approved:
 - * Capital Development
 - * Surface Resource Specialist (County Road Project)
 - * Information Technology Reimbursement/Part-time Help
 - * Development Project Accounting System
 - * Web Services improvement
 - * Auditing outside contracting
 - * Fifth Floor remodeling
- * FY 2009 One-time appropriations
 - * Capital Development
 - * Surface Resource Specialist (County road project)
 - * Compliance officer vehicle
- * FY 2009 On-going Appropriations
 - * Investigator
 - * Compliance officer
 - * Vehicle Maintenance
 - * Development financial analyst
 - * Information technology
 - * Auditing outside contracting
- * Salary increases and adjustments (\$264,600)

Director Carter reported that we had tracked the following bills during the session:

- * HB 53 - - Impact of Administrative Rules on Small Businesses
- * HB 75 - - Inventory Review of Commercial Activities
- * HB 125 - - Department of Agriculture and Food Amendments
- * HB 137 - - State Facility Water Conservation Program

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4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Update on Legislative Issues (cont'd)

- * HB 208 - - Livestock Watering Rights
- * HB 319 - - Review and Appropriation of Grants
- * HB 354 - - Appraisals for State Land
- * HB 410 - - Restricted Accounts Amendments
- * SB 38 - - Transparency in Government Financing
- * SB 144 - - Parameter's on Governor's Ability to Enter Agreements Binding the State
- * Beneficiary Support

II. Status Report on St. George Airport Negotiations

Due to the discussion of land values, the Board considered this item in closed session.

Lee / Brown. Unanimously approved.

"I move we go into closed session for the discussion of land values."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. McKeachnie - - yes
Mr. Morris - - yes	

The Board went into closed session at 12:02 p.m. Those in attendance were Board members, Kevin Carter, John Andrews, and Doug Buchi. The Board returned to open session at 1:03 p.m.

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4. Director's Report (cont'd)

b. Associate Director's Report

I. Follow-up on APPLE Initiative

Mr. Andrews briefed the Board on the APPLE Initiative. He gave the Board a handout furnished by the beneficiaries, which was a recap of the initiative. This initiative has taken two tracks thus far: a public administration track and a legislative track. The legislation was sponsored by Congressman Bishop and was seeking compensation for five percent of the remaining Bureau of Land Management lands or quantity grants for an amount equal to five percent of the remaining federal lands. At the January Board Meeting Commissioner Alan Gardner, Washington County, asked the Board to take a look at litigating the issue, seeking a monetary judgment for the state. Staff and the Commissioner met with the Attorney General and his staff and made a determination to move forward with legal research as to whether litigation would be feasible. Mr. McKeachnie stated he is anxious to have the State take a look at this, but he has some hesitation as to whether SITLA is the proper entity to do it. Mr. Andrews noted that, after the group looks at the legal issues, it will be determined who would be the public entity to pursue it. Mr. McKeachnie stated that any suit would be brought in the name of the state, and he doesn't know why we would be spending any money on it. Commissioner Gardner noted that it was determined that an exploratory committee would be formed to see if the state should proceed. Mr. McKeachnie noted it is somewhat "indelicate" for a trustee to be trying to "feather its own nest". He had no problem with looking at how to proceed.

II. Update on Land Exchange

Mr. Andrews noted we are making some progress on a group of administrative exchanges; i.e., Three Peaks Exchange, one in Washington County, etc. Some may be able to be closed by the end of the year. On the legislative front, we are working on the Recreation Land Exchange. There have been some internal disagreements on different issues that have delayed the exchange. We understand these are getting resolved. We hope to get this done this year.

Mr. Andrews noted we are also working on another idea that is a non-exchange idea. One alternative is for the agency to be given authority to relinquish lands to the United States and select lands using the existing in-lieu authority already in law. This process is about one-third as long as the exchange process. We are working with Congressman Bishop on this idea.

Mr. Andrews gave the Board some new architectural renderings of the lodge at Johnson's Up-on-Top.

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4. Director's Report (cont'd)

c. Oil and Gas Group Report

I. Other Business Arrangement - Genesis US/Integrated Energy, LLC

Ms. Garrison discussed this issue with the Board. She noted that the protest that had been filed last month has now been withdrawn. Ms. Garrison introduced those in attendance on behalf of this issue: Dean H. Christensen, Pacific Energy; Tariq Ahmad, Genesis Petroleum US; Wayne Stout, Genesis Petroleum US; and Terry R. Spencer, Genesis Petroleum US.

This is a replacement OBA because the previous one on these lands terminated. Ms. Garrison discussed the terms of the OBA with the Board.

There was some discussion by the Board regarding the delay rental payment. The Board approved the OBA as recommended.

Scales / McKeachnie. Motion approved.

“I move we accept the OBA as proposed.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - no
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. McKeachnie - - yes
Mr. Morris - - yes	

d. Minerals Group Report

Mr. Faddies introduced Randal Harden as a new Mineral Specialist in the Minerals Group.

Mr. Faddies addressed the Board through a power-point presentation on the following issues:

- * Coal - - Cental Utah area
 - * Strengths
 - * Define Tracts
 - * Resource Base
 - * Threats

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4. Director's Report (cont'd)

d. Minerals Group Report (cont'd)

- * Safety issues
- * Anti-Mining posture from Federal agencies

Mr. Faddies also briefed the Board on the Lisbon Valley copper issue.

g. Development Group Report

I. Update on Selected Projects

Mr. Doug Buchi gave the Board an update on some of the Development projects through a power-point presentation. He also updated the Board on the global market conditions, as well as Washington County market conditions. Sales are down across all Washington County areas. Chairman Morris gave brief remarks on the economy. TLA just needs to wait this out. The market will come back, and we just need to wait until it does. Now is the to time improve our internal systems.

Mr. Buchi briefed the Board on the following projects, giving project to-date information and projected revenue:

- * Coral Canyon
 - * Coral Canyon JV Town Center 1
 - * Coral Canyon JV Town Center 2
 - * Coral Canyon JV Harley Davidson
- * Milepost 13 Sienna Hills
- * Sun River
- * Ft. Pierce Industrial Park
- * South Block
- * Mile Post Atkinville Interchange

Mr. Morris asked if there is any way to boost the IRR on the Sun River project. Mr. Buchi stated Staff will look at this.

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4. Director's Report (cont'd)

g. Development Group Report (cont'd)

II. Demonstration of Development Group Accounting Module

Mr. Buchi demonstrated the Development accounting module in conjunction with the above discussion. Chairman Morris asked about the weaknesses in the current system and how complete it is. It was noted the backbone of the system was completed in November. There are probably not enough cost codes set up yet to track all the costs that are being spent. All of the Development projects are into the system now. Chairman Morris indicated he thinks it would be a profitable venture to load all the data on all the projects, even all those that we have to estimate the initial appraised values, etc. Mr. Buchi noted that the system also shows projections. We can revise these as market conditions change. Ms. Wilson noted this system is not set up to proportion out the costs of investments, etc. The focus is in the raw data and accounting information that the beneficiaries are tracking. Ms. Schneider stated she reviews every expenditure by project and who the beneficiary is. She then breaks those costs out according to the percentage of beneficiary ownership.

Chairman Morris noted that the stage-two upgrade list could include the development accounting system being able to show the different IRR for each beneficiary on each project. It was noted that we didn't put "soft costs" in at the beginning of some of our projects. We do now. It was noted by the Board that support costs are normally put into a budget of about five to 10 percent. These items are now being anticipated in our estimates.

Mr. Buchi noted we will also build into our system the tracking of impact fee credits. Support costs and hard costs will now be included. Expenses will now be put in the Development accounting module and not just on the profit and loss statement.

5. Consent Calendar

a. Approval of 2008 Grazing Fee

No comments were received on this item, so it is approved. The 2008 grazing fees are \$3.90 for scattered sections and \$6.20 for block lands. Mr. Lee thanked the Staff for keeping track of this so that it keeps moving like it should

b. Transfer of Park to Big Water Town

No comments were received on this item, so it is approved.

c. Negotiated Sale to Carbon County

No comments were received on this item, so it is approved.

d. Negotiated Sale to The Nature Conservancy - Washington County

No comments were received on this item, so it is approved.

e. Amendment to OBA ML 49944 - EOG Resources - Uintah County

Mr. Scales asked that we insert into the agreement a consequence for not drilling the well on time. Staff will add this stipulation. With this addition, the Board approved this item.

Scales / Lee. Motion approved.

“I move we amend this OBA as noted.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - absent at vote	Mr. McKeachnie - - yes
Mr. Morris - - yes	

Meeting adjourned at 2:00 p.m.

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